

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Coloma Charter Township	County Berrien
Audit Date March 31, 2005	Opinion Date July 22, 2005	Date Accountant Report Submitted To State: September 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

Charter Township of Coloma, Michigan

**Financial Report
with Supplemental Information
March 31, 2005**

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Charter Township of Coloma, Michigan

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Independent Auditor's Report

Members of the Township Board
Charter Township of Coloma, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Coloma, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Coloma, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Coloma, Michigan as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Members of the Township Board
Charter Township of Coloma, Michigan

As described in Note 11, the Charter Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Plante & Moran, PLLC

July 22, 2005

Charter Township of Coloma, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Coloma, Michigan's financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Charter Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlight for the year ended March 31, 2005:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$25,600 (6 percent) this year. The Charter Township reacted by reducing general fund expenditures, which resulted in a fund balance decrease of only \$14,000.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township as a whole and present a longer-term view of the Charter Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Charter Township's operations in more detail than the government-wide financial statements by providing information about the Charter Township's most significant funds.

Charter Township of Coloma, Michigan

Management's Discussion and Analysis (Continued)

The Charter Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005. In future years, when prior year information is available, comparative data will be presented.

	Governmental Activities	Business-type Activities	Total
Current assets	\$ 2,087,872	\$ 1,939,280	\$ 4,027,152
Noncurrent assets	<u>2,119,198</u>	<u>5,113,497</u>	<u>7,232,695</u>
Total assets	4,207,070	7,052,777	11,259,847
Current liabilities	86,949	290,196	377,145
Long-term liabilities	<u>1,130,409</u>	<u>1,270,000</u>	<u>2,400,409</u>
Total liabilities	<u>1,217,358</u>	<u>1,560,196</u>	<u>2,777,554</u>
Net assets:			
Invested in capital assets - Net of related debt	834,244	3,552,985	4,387,229
Restricted	739,632	-	739,632
Unrestricted	<u>1,415,836</u>	<u>1,939,596</u>	<u>3,355,432</u>
Total net assets	<u>\$ 2,989,712</u>	<u>\$ 5,492,581</u>	<u>\$ 8,482,293</u>

The Charter Township's combined net assets decreased slightly, one half percent, from a year ago - decreasing from \$8,526,326 to \$8,482,293. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets decreased eight percent to \$2,989,712, while business-type activities increased four percent to \$5,492,581.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, stands at \$1,415,836 for the governmental activities. This represents approximately 57 percent of expenditures. This is within the targeted range set by the Charter Township during its last budget process.

Charter Township of Coloma, Michigan

Management's Discussion and Analysis (Continued)

The Charter Township as a Whole (Continued)

The following table shows the changes of net assets during the current year. In future years, when prior year information is available, comparative data will be presented.

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 75,642	\$ 347,587	\$ 423,229
Operating grants and contributions	155,000	-	155,000
Capital grants and contributions	-	506,226	506,226
General revenue:			
Property taxes	914,340	-	914,340
State-shared revenue	402,319	-	402,319
Unrestricted investment earnings	13,967	34,845	48,812
Landfill tipping fees	64,999	-	64,999
Other revenue	126,763	-	126,763
Total revenue	1,753,030	888,658	2,641,688
Program Expenses			
General government	503,384	-	503,384
Public safety	1,144,593	-	1,144,593
Public works	272,104	-	272,104
Economic development	38,960	-	38,960
Recreation and culture	3,217	-	3,217
Interest on long-term debt	49,242	-	49,242
Sewer	-	674,221	674,221
Total program expenses	2,011,500	674,221	2,685,721
Change in Net Assets	\$ (258,470)	\$ 214,437	\$ (44,033)

Governmental Activities

The Charter Township's total governmental revenues increased by approximately \$118,000, despite decreases in state-shared revenue. The increase, which represents 7.1 percent, was primarily due to the continuing increase in property taxes and an increased contribution from the City of Coloma for providing police services to the City.

Expenses were consistent with last year, even decreasing slightly (\$6,000). This was in part due to a close monitoring of expenditures throughout the year.

Charter Township of Coloma, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The Charter Township's business-type activities consist of the Sewer Fund. We provide sewage treatment through a jointly owned and operated sewage treatment plant.

The Sewer Fund experienced a slight decrease in revenue during the current year. However, expenses increased nearly 20 percent. The Charter Township received a capital grant in the amount of approximately \$500,000 during the year. Investment income increased and interest expense decreased slightly, resulting in more nonoperating net revenue.

General Fund Budgetary Highlights

As shown in the required supplemental information, the Charter Township originally budgeted operational expenditures of \$675,096. Over the course of the year, the Charter Township amended the budget to take into account events which occurred during the year. The most significant change was to adjust the expected amount of transfer from the General Fund to the Public Safety fund from \$80,954 to \$150,000. Charter Township departments overall stayed below budget, resulting in total expenditures \$30,900 below budget in the General Fund.

Capital Asset and Debt Administration

At March 31, 2005, the Charter Township had \$12 million (\$6.7 million net of depreciation) invested in a broad range of capital assets, including buildings, police equipment, and water and sewer lines. The Charter Township has outstanding debt of \$2.3 million on these capital assets. The Charter Township is currently involved in a significant water line expansion project, having spent nearly half a million dollars during the current year. In addition, the Township has signed commitments for nearly \$1.4 million for the next phase of construction. This project is being funded with grants from the State of Michigan.

Economic Factors

The Township has a significant amount of funds on deposit with financial institutions. With the Fed's raising interest rates, we expect a favorable increase in investment income in the next year. However, this increase will be offset by a significant increase in the cost of fuel. The effect on the Public Safety Department will be the greatest. However, the net effect of these two factors should be minimal on the Township's overall financial condition.

Contacting the Charter Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Charter Township's finances and to show the Charter Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

Charter Township of Coloma, Michigan

Statement of Net Assets March 31, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash (Note 3)	\$ 1,642,407	\$ 12,529	\$ 1,654,936
Investments (Note 3)	363,380	1,461,201	1,824,581
Receivables - Net:			
Taxes	60,738	-	60,738
Customers	-	71,284	71,284
Special assessments	17,075	174,718	191,793
Other	4,272	-	4,272
Due from other governmental units	-	183,626	183,626
Prepaid costs and other assets	-	35,922	35,922
Investment in joint venture	269,468	240,512	509,980
Capital assets - Net (Note 5)	<u>1,849,730</u>	<u>4,872,985</u>	<u>6,722,715</u>
Total assets	4,207,070	7,052,777	11,259,847
Liabilities			
Accounts payable	28,791	115,842	144,633
Accrued and other liabilities	28,108	59,787	87,895
Deferred revenue (Note 4)	-	53,954	53,954
Accumulated employee benefits:			
Due within one year	16,121	10,613	26,734
Due in more than one year	128,852	-	128,852
Long-term Debt (Note 7):			
Due within one year	13,929	50,000	63,929
Due in more than one year	<u>1,001,557</u>	<u>1,270,000</u>	<u>2,271,557</u>
Total liabilities	<u>1,217,358</u>	<u>1,560,196</u>	<u>2,777,554</u>
Net Assets			
Invested in capital assets - Net of related debt	834,244	3,552,985	4,387,229
Restricted:			
Public Safety	382,347	-	382,347
Roads	352,512	-	352,512
Debt Service	4,773	-	4,773
Unrestricted	<u>1,415,836</u>	<u>1,939,596</u>	<u>3,355,432</u>
Total net assets	<u>\$ 2,989,712</u>	<u>\$ 5,492,581</u>	<u>\$ 8,482,293</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Charter Township of Coloma, Michigan

Statement of Activities Year Ended March 31, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
General government	\$ 503,384	\$ -	\$ -	\$ -	\$ (503,384)	\$ -	\$ (503,384)
Public Safety	1,144,593	75,642	155,000	-	(913,951)	-	(913,951)
Public Works	272,104	-	-	-	(272,104)	-	(272,104)
Recreation and culture	3,217	-	-	-	(3,217)	-	(3,217)
Economic development	38,960	-	-	-	(38,960)	-	(38,960)
Interest on long-term debt	49,242	-	-	-	(49,242)	-	(49,242)
Total governmental activities	2,011,500	75,642	155,000	-	(1,780,858)	-	(1,780,858)
Business-type activities - Sewer	674,221	347,587	-	506,226	-	179,592	179,592
Total primary government	<u>\$ 2,685,721</u>	<u>\$ 423,229</u>	<u>\$ 155,000</u>	<u>\$ 506,226</u>	(1,780,858)	179,592	(1,601,266)
General revenues:							
Property taxes					914,340	-	914,340
State-shared revenues					402,319	-	402,319
Unrestricted investment earnings					13,967	34,845	48,812
Landfill tipping fees					64,999	-	64,999
Miscellaneous					126,763	-	126,763
Total general revenues					1,522,388	34,845	1,557,233
Change in Net Assets					(258,470)	214,437	(44,033)
Net Assets - Beginning of year					3,248,182	5,278,144	8,526,326
Net Assets - End of year					<u>\$ 2,989,712</u>	<u>\$ 5,492,581</u>	<u>\$ 8,482,293</u>

Charter Township of Coloma, Michigan

Governmental Funds Balance Sheet March 31, 2005

	General	Public Safety	Road	Nonmajor Fund - Debt Service	Total Governmental Funds
Assets					
Cash	\$ 1,151,785	\$ 248,833	\$ 241,157	\$ 632	\$ 1,642,407
Investments	152,070	111,310	100,000	-	363,380
Receivables:					
Taxes	9,994	40,390	10,354	-	60,738
Special assessments	-	-	17,075	-	17,075
Other	4,272	-	-	-	4,272
Due from other funds	-	-	-	4,141	4,141
Total assets	<u>\$ 1,318,121</u>	<u>\$ 400,533</u>	<u>\$ 368,586</u>	<u>\$ 4,773</u>	<u>\$ 2,092,013</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 16,608	\$ 11,732	\$ 451	\$ -	\$ 28,791
Accrued and other liabilities	21,654	6,454	-	-	28,108
Due to other funds	4,141	-	-	-	4,141
Deferred revenue	-	-	15,623	-	15,623
Total liabilities	42,403	18,186	16,074	-	76,663
Fund Balances					
Unreserved, reported in:					
General fund	1,275,718	-	-	-	1,275,718
Public Safety	-	382,347	-	-	382,347
Roads	-	-	352,512	-	352,512
Debt Service	-	-	-	4,773	4,773
Total fund balances	<u>1,275,718</u>	<u>382,347</u>	<u>352,512</u>	<u>4,773</u>	<u>2,015,350</u>
Total liabilities and fund balances	<u>\$ 1,318,121</u>	<u>\$ 400,533</u>	<u>\$ 368,586</u>	<u>\$ 4,773</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,849,730
Investments in joint ventures are recorded in the statement of net assets, but not recorded in the funds	269,468
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	15,623
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,160,459)
Net assets of governmental activities	<u>\$ 2,989,712</u>

Charter Township of Coloma, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2005

	General	Public Safety	Road	Nonmajor Fund - Debt Service	Total Governmental Funds
Revenue					
Property taxes	\$ 111,608	\$ 635,508	\$ 167,224	\$ -	\$ 914,340
Licenses and permits	59,587	3,302	-	-	62,889
State-shared revenues (and grants)	400,513	1,806	-	-	402,319
Local sources	-	155,000	-	-	155,000
Landfill tipping fees	64,999	-	-	-	64,999
Charges for services	8,173	-	-	-	8,173
Fines and forfeitures	-	22,676	-	-	22,676
Interest and rentals	12,916	2,692	4,712	-	20,320
Other	65,125	2,169	3,666	60,000	130,960
Total revenue	722,921	823,153	175,602	60,000	1,781,676
Expenditures					
Current:					
General government	425,562	-	-	-	425,562
Public Safety	151,215	958,048	-	-	1,109,263
Public Works	37,032	-	229,756	-	266,788
Recreation and culture	3,217	-	-	-	3,217
Economic development	38,960	-	-	-	38,960
Debt service	-	-	-	55,859	55,859
Total expenditures	655,986	958,048	229,756	55,859	1,899,649
Excess (Deficiency) of Revenue Over Expenditures	66,935	(134,895)	(54,154)	4,141	(117,973)
Other Financing Sources (Uses)					
Transfers in	-	80,954	-	-	80,954
Transfers out	(80,954)	-	-	-	(80,954)
Total other financing sources (uses)	(80,954)	80,954	-	-	-
Net Change in Fund Balances	(14,019)	(53,941)	(54,154)	4,141	(117,973)
Fund Balances - Beginning of year	1,289,737	436,288	406,666	632	2,133,323
Fund Balances - End of year	<u>\$ 1,275,718</u>	<u>\$ 382,347</u>	<u>\$ 352,512</u>	<u>\$ 4,773</u>	<u>\$ 2,015,350</u>

Charter Township of Coloma, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (117,973)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Current year capital additions 9,189

Current year allocation of depreciation (121,534)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end

(3,067)

Decrease in equity interest in joint venture

(25,579)

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

14,487

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities

(13,993)

Change in Net Assets of Governmental Activities \$ **(258,470)**

Charter Township of Coloma, Michigan

Proprietary Fund Statement of Net Assets March 31, 2005

	Enterprise - Sewer
Assets	
Current assets:	
Cash	\$ 12,529
Investments	1,461,201
Receivables - Net:	
Customer	71,284
Special assessments	174,718
Due from other governmental units	183,626
Prepaid costs and other assets	<u>35,922</u>
Total current assets	1,939,280
Noncurrent assets:	
Investment in joint venture	240,512
Capital assets	<u>4,872,985</u>
Total noncurrent assets	<u>5,113,497</u>
Total assets	7,052,777
Liabilities	
Current liabilities:	
Accounts payable	115,842
Accrued and other liabilities	70,400
Deferred revenue	53,954
Current portion of long-term debt	<u>50,000</u>
Total current liabilities	290,196
Noncurrent liabilities:	
Long-term debt - Net of current portion	<u>1,270,000</u>
Total liabilities	<u>1,560,196</u>
Net Assets	
Investment in capital assets - Net of related debt	3,552,985
Unrestricted	<u>1,939,596</u>
Total net assets	<u><u>\$ 5,492,581</u></u>

Charter Township of Coloma, Michigan

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2005

	Enterprise - Sewer
Operating Revenue	
Sewage disposal charges	\$ 330,661
Penalty charges	16,926
Total operating revenue	347,587
Operating Expenses	
Operation and maintenance	345,903
Depreciation and amortization	256,069
Total operating expenses	601,972
Operating Loss	(254,385)
Nonoperating Revenue (Expenses)	
Investment income	34,845
Interest expense	(72,249)
Total nonoperating revenue	(37,404)
Loss - Before contributions	(291,789)
Capital Contributions - Capital grants	506,226
Change in Net Assets	214,437
Net Assets - Beginning of year	5,278,144
Net Assets - End of year	<u><u>\$ 5,492,581</u></u>

Charter Township of Coloma, Michigan

Proprietary Fund Statement of Cash Flows Year Ended March 31, 2005

	Enterprise - Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 347,605
Payments to suppliers	(180,985)
Payments to employees	(53,163)
	<u>113,457</u>
Net cash provided by operating activities	113,457
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments	13,950
Purchase of capital assets	(504,624)
Proceeds from capital grants	322,600
Principal and interest paid on capital debt	(122,249)
	<u>(290,323)</u>
Net cash used in capital and related financing activities	(290,323)
Cash Flows from Investing Activities	
Interest received on investments	34,845
Purchase of investment securities	(269,267)
	<u>(234,422)</u>
Net cash used in investing activities	(234,422)
Net Decrease in Cash and Cash Equivalents	(411,288)
Cash - Beginning of year	<u>423,817</u>
Cash - End of year	<u><u>\$ 12,529</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating loss	\$ (254,385)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	256,069
Changes in assets and liabilities:	
Receivables	18
Prepaid costs and other assets	2,260
Accounts payable	49,115
Accrued and other liabilities	60,451
Due to other governmental units	(71)
	<u>(71)</u>
Net cash provided by operating activities	<u><u>\$ 113,457</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2005, there were no noncash investing, capital, or financing activities.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Coloma, Michigan (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Coloma, Michigan:

Reporting Entity

The Charter Township of Coloma, Michigan is governed by an elected seven-member board. The accompanying financial statements present the Charter Township. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Jointly Governed Organizations

The Charter Township, along with the City of Coloma and Hagar Township, is a member of the Coloma - Hagar Joint Fire Board. The Fire Board is governed by an administrative board of six members, appointed by the City and Townships. The Charter Township's equity interest in the Fire Board of \$265,588 is recorded in the government-wide financial statements. Complete financial statements for the Fire Board can be obtained from the Charter Township of Coloma Supervisor's Office.

The Charter Township is a participant with the City of Coloma in a joint venture to provide for the administration and operations of the cemetery. On dissolution of the Cemetery Board, the net assets will be shared on a prorata basis as follows: 60 percent to Charter Township of Coloma and 40 percent to City of Coloma. The Cemetery Board is governed by an administrative board of five members consisting of three members from the Charter Township of Coloma and two from the City of Coloma. The Charter Township's share of fixed assets and the equity interest of \$3,880 are recorded on the government-wide financial statements. Complete financial statements for the Cemetery Board can be obtained from the Charter Township of Coloma Supervisor's Office.

The Charter Township is also a participant with the City of Coloma, the City of Watervliet, and Watervliet Township in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of these communities. The Paw Paw Lake Regional Joint Sewage Disposal Board was created for this purpose. On dissolution of the Board, the net assets of the Joint Sewage Disposal Board will be shared equally among the four municipalities. The Charter Township's equity interest of \$240,512 is recorded on the government-wide financial statements. Complete financial statements for the Board can be obtained from the Charter Township of Coloma Supervisor's Office.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, if special assessments and grant reimbursements will be collected after the period of availability, receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Charter Township reports the following major governmental funds:

General Fund - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Safety Fund - The Public Safety Fund accounts for the activities of the police department, the fire department, and ambulance related expenditures.

Road Fund - The Road Fund accounts for the resources of tax revenues for the purpose of road maintenance, repairs, and construction projects.

The Charter Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund accounts for the activities of the sanitary sewer system, a service provided to citizens that is financed primarily by user charges for the provision of that service.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's enterprise function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Charter Township's 2004 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Charter Township totaled \$133.5 million on which taxes levied consisted of 0.7585 mills for operating purposes, 4.7500 mills for public safety, and 1.2500 mills for roads. This resulted in \$110,000 for operating, \$635,000 for public safety, and \$167,000 for roads. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Special Revenue Funds, and Enterprise Fund is generally allocated to each fund using a weighted average method.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Water and sewer distribution systems	40 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 10 years
Office furnishings	5 to 15 years
Other tools and equipment	3 to 10 years

Compensated Absences (Vacation and Sick Leave) - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Charter Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2004	\$ (55,885)
Current year building permit revenue	41,603
Related expenses - Direct costs	<u>76,277</u>
Shortfall at March 31, 2005	<u>\$ (90,559)</u>

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Charter Township has designated nine banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, CDs, commercial paper, repurchase agreements, bankers' acceptances, and mutual funds as noted above.

The Charter Township of Coloma, Michigan's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government
Cash and cash equivalents	\$ 1,642,407	\$ 12,529	\$ 1,654,936
Investments	<u>363,380</u>	<u>1,461,201</u>	<u>1,824,581</u>
Total	<u>\$ 2,005,787</u>	<u>\$ 1,473,730</u>	<u>\$ 3,479,517</u>

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 3 - Deposits and Investments (Continued)

The Charter Township's deposits and investments are classified by the Governmental Accounting Standards Board Statement Number 3 in the following categories:

	<u>Primary Government</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 3,479,217
Petty cash or cash on hand	<u>300</u>
Total	<u>\$ 3,479,517</u>

Deposits

The bank balance of the Charter Township's deposits is \$3,496,674, of which \$900,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluated each financial institution with which it deposits Charter Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 15,623	\$ -
Advance utility billings	<u>-</u>	<u>53,954</u>
Total	<u>\$ 15,623</u>	<u>\$ 53,954</u>

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 5 - Capital Assets

Capital asset activity of the Charter Township's governmental and business-type activities was as follows:

	Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
Governmental Activities				
Capital assets not being depreciated - Land	\$ 123,317	\$ -	\$ -	\$ 123,317
Capital assets being depreciated:				
Land improvements	24,448	-	-	24,448
Buildings and improvements	1,511,485	-	-	1,511,485
Vehicles	187,629	-	-	187,629
Office equipment	132,954	-	-	132,954
Equipment	253,373	9,189	-	262,562
Subtotal	2,109,889	9,189	-	2,119,078
Accumulated depreciation:				
Land improvements	1,425	1,222	-	2,647
Buildings and improvements	33,092	30,230	-	63,322
Vehicles	116,195	26,968	-	143,163
Office equipment	36,486	26,270	-	62,756
Equipment	83,933	36,844	-	120,777
Subtotal	271,131	121,534	-	392,665
Net capital assets being depreciated	1,838,758	(112,345)	-	1,726,413
Net capital assets	\$ 1,962,075	\$ (112,345)	\$ -	\$ 1,849,730
Business-type Activities				
Capital assets not being depreciated - Land	\$ 87,414	\$ -	\$ -	\$ 87,414
Capital assets being depreciated:				
Sewer mains and extensions	8,968,107	478,739	-	9,446,846
Buildings and improvements	166,699	-	-	166,699
Equipment	15,767	25,885	1,849	39,803
Motor vehicles	28,760	-	-	28,760
Subtotal	9,179,333	504,624	1,849	9,682,108
Accumulated depreciation:				
Sewer mains and extensions	4,609,006	234,412	-	4,843,418
Buildings and improvements	9,451	4,302	-	13,753
Equipment	12,970	7,083	1,849	18,204
Motor vehicles	15,411	5,751	-	21,162
Subtotal	4,646,838	251,548	1,849	4,896,537
Net capital assets being depreciated	4,532,495	253,076	-	4,785,571
Net capital assets	\$ 4,619,909	\$ 253,076	\$ -	\$ 4,872,985

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 63,829
Public Safety	52,389
Public Works	<u>5,316</u>
Total governmental activities	<u>\$ 121,534</u>
Business-type activities:	
Sewer	<u>\$ 251,548</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	<u>\$ 4,141</u>

The balance owing from the General Fund to the Debt Service Fund resulted from a debt payment made on behalf of the General Fund by the Debt Service Fund, for which the General Fund will reimburse the Debt Service Fund after year-end.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Public Safety Fund	<u>\$ 80,954</u>

The transfer from the General Fund to the Public Safety Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter Township. County installment purchase agreement is also a general obligation of the government. Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bond:						
USDA Bond	4.75%	\$ 991,000	\$ -	\$ 9,000	\$ 982,000	\$ 9,000
Amount of issue: \$1,000,000						
Maturing through: 2042						
Installment Purchase Contract:						
Fire Land Contract	6.00%					
Amount of issue: \$39,330						
Maturing through: 2011		38,973	-	5,487	33,486	4,929
Total governmental activities debt		<u>\$ 1,029,973</u>	<u>\$ -</u>	<u>\$ 14,487</u>	<u>\$ 1,015,486</u>	<u>\$ 13,929</u>
Business-type Activities						
General obligation bond:						
Sanitary Sewage Disposal bonds	5.00 - 5.70 %					
Amount of issue: \$1,570,000						
Maturing through: 2020		<u>\$ 1,370,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 1,320,000</u>	<u>\$ 50,000</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 13,929	\$ 47,872	\$ 61,801	\$ 50,000	\$ 70,790	\$ 120,790
2007	15,694	47,434	63,128	50,000	68,240	118,240
2008	16,045	46,946	62,991	50,000	65,640	115,640
2009	17,418	46,458	63,876	75,000	62,390	137,390
2010	17,814	45,922	63,736	75,000	58,490	133,490
2011 - 2015	68,586	220,886	289,472	425,000	229,850	654,850
2016 - 2020	83,000	203,336	286,336	595,000	86,780	681,780
2021 - 2025	105,000	181,108	286,108	-	-	-
2026 - 2030	133,000	152,928	285,928	-	-	-
2031 - 2035	169,000	117,098	286,098	-	-	-
2036 - 2040	215,000	71,662	286,662	-	-	-
2041 - 2042	161,000	16,234	177,234	-	-	-
Total	<u>\$ 1,015,486</u>	<u>\$ 1,197,884</u>	<u>\$ 2,213,370</u>	<u>\$ 1,320,000</u>	<u>\$ 642,180</u>	<u>\$ 1,962,180</u>

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 8 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has private insurance for claims relating to workers' compensation and all medical claims, and participates in the Michigan Townships Participating Plan for all other claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 9 - Pension Plan

During the year ending March 31, 2005, the Charter Township joined the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all Police employees of the Charter Township, except for one. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the System for Police employees was established by negotiation with the Charter Township's Police competitive bargaining unit and requires a contribution from the employees of 6 percent of gross wages.

For the year ended March 31, 2005, the Charter Township's annual pension cost of \$49,001 for the plan was equal to the Charter Township's required and actual contribution. The annual required contribution was determined as part of an initial actuarial valuation at March 1, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit, and (d) no increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 9 - Pension Plan (Continued)

	Fiscal Year Ended March 31: 2005	
Annual pension costs (APC)	\$	49,001
Percentage of APC contributed		100%
Net pension obligation		-
	Actuarial Valuation as of December 31: 2004	
Actuarial value of assets	\$	52,662
Actuarial accrued liability (entry age)		97,822
Overfunded (unfunded) ALL		(45,160)
Funded ratio		53.8%
Covered payroll		273,396
UAAL as a percentage of covered payroll		(16.5)%

Note 10 - Defined Contribution Plan

The Charter Township maintains a simplified employee pension plan, which is a defined contribution plan. The employer contributions are made directly to an IRA set up by the employee with a qualified financial institution. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment income. As established by the Township Board, the Charter Township will match employee contributions (for eligible employees) up to 6 percent of the employee's base pay. In accordance with these requirements, the Charter Township contributed approximately \$27,000 for the year ended March 31, 2005.

Note 11 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Charter Township of Coloma, Michigan has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Charter Township has elected only to implement the general provisions of the statement. Certain significant changes in the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Charter Township's overall financial position and results of operations.

Charter Township of Coloma, Michigan

Notes to Financial Statements March 31, 2005

Note 11 - Accounting and Reporting Change (Continued)

- Financial statements prepared using full accrual accounting for all of the Charter Township's activities.
- Capital assets in the governmental activities column of the statement of net assets includes assets totaling approximately \$2,242,000 that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$400,000 to reflect the historical cost of the Charter Township's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations totaling approximately \$1,015,000 previously reported in the General Long-term Debt Account Group.

Note 12 - Subsequent Events

Subsequent to year end, the Township entered into two contracts related to the ongoing water extension project. The total amount of the two contracts signed after year end approximates \$1,360,000, which will include Phase II, part of Phase III, and extensive water connections work. In addition, the related State grant funding for this project was increased by \$1,400,000, to a total award amount of \$4,380,000.

Required Supplemental Information

Charter Township of Coloma, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 140,000	\$ 140,000	\$ 111,608	\$ (28,392)
Licenses and permits	73,350	73,350	59,587	(13,763)
State sources	412,700	412,700	400,513	(12,187)
Landfill tipping fees	85,000	85,000	64,999	(20,001)
Charges for services	5,400	5,400	8,173	2,773
Interest and rents	30,600	30,600	12,916	(17,684)
Other revenue	9,000	9,000	65,125	56,125
Total revenue	756,050	756,050	722,921	(33,129)
Expenditures				
General government:				
Township Board	78,250	78,250	73,105	5,145
Supervisor	13,380	14,600	15,072	(472)
Tax administration	61,930	62,920	64,111	(1,191)
Clerk	90,235	90,235	73,604	16,631
Treasurer	14,070	14,070	12,405	1,665
Elections	10,500	10,500	8,616	1,884
Cemetery	44,100	44,100	44,087	13
Buildings and grounds	123,320	132,800	134,562	(1,762)
Total general government	435,785	447,475	425,562	21,913
Public safety:				
Inspection department	90,075	90,075	76,277	13,798
Planning Commission	61,149	61,149	74,938	(13,789)
Total public safety	151,224	151,224	151,215	9
Public works	40,093	40,093	37,032	3,061
Recreational and cultural:				
Library	1,077	1,077	692	385
Community relations	2,425	2,525	2,525	-
Total recreation and cultural	3,502	3,602	3,217	385
Economic Development	44,492	44,492	38,960	5,532
Total expenditures	675,096	686,886	655,986	30,900
Excess of Revenue Over Expenditures	80,954	69,164	66,935	(2,229)
Other Financing Uses - Transfers Out	80,954	150,000	80,954	69,046
Net Change in Fund Balance	-	(80,836)	(14,019)	66,817
Fund Balance - Beginning of year	1,289,737	1,289,737	1,289,737	-
Fund Balance - End of year	\$ 1,289,737	\$ 1,208,901	\$ 1,275,718	\$ 66,817

Charter Township of Coloma, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Public Safety Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 608,000	\$ 608,000	\$ 635,508	\$ 27,508
Licenses and permits	4,200	4,200	3,302	(898)
State sources	-	-	1,806	1,806
Local sources	150,000	150,000	155,000	5,000
Fines and forfeits	22,000	22,000	22,676	676
Interest	1,300	1,300	2,692	1,392
Other revenue	5,000	5,000	2,169	(2,831)
Total revenue	790,500	790,500	823,153	32,653
Expenditures				
Police	745,570	745,570	792,097	(46,527)
Fire	153,734	153,734	144,459	9,275
Ambulance	21,500	21,500	21,492	8
Total expenditures	920,804	920,804	958,048	(37,244)
Excess of Expenditures Over Revenue	(130,304)	(130,304)	(134,895)	(4,591)
Other Financing Sources - Transfers In	80,954	150,000	80,954	(69,046)
Net Change in Fund Balance	(49,350)	19,696	(53,941)	(73,637)
Fund Balance - Beginning of year	436,288	436,288	436,288	-
Fund Balance - End of year	<u>\$ 386,938</u>	<u>\$ 455,984</u>	<u>\$ 382,347</u>	<u>\$ (73,637)</u>

Charter Township of Coloma, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Road Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 155,000	\$ 155,000	\$ 167,224	\$ 12,224
Interest	5,500	5,500	4,712	(788)
Other revenue	4,000	4,000	3,666	(334)
Total revenue	164,500	164,500	175,602	11,102
Expenditures - Public Works	300,000	305,000	229,756	75,244
Excess of Expenditures Over Revenue	(135,500)	(140,500)	(54,154)	86,346
Fund Balance - Beginning of year	406,666	406,666	406,666	-
Fund Balance - End of year	<u>\$ 271,166</u>	<u>\$ 266,166</u>	<u>\$ 352,512</u>	<u>\$ 86,346</u>

Charter Township of Coloma, Michigan

Note to Required Supplemental Information March 31, 2005

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The budgets are prepared by the Charter Township Supervisor and approved by the Charter Township Board prior to the start of the fiscal year. The budget was amended once during the year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Coloma, Michigan incurred significant budget overruns, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Planning Commission	\$ 61,149	\$ 74,938
Public Safety Fund:		
Police	745,570	792,097



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Coloma Charter Township
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In planning and performing our audit of the financial statements of the Coloma Charter Township for the year ended March 31, 2005, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

CONTROL OVER MANUAL JOURNAL ENTRIES

Manual journal entries are used often throughout the year for recording utility billings, accounts receivable, utility adjustments, cash receipts, interest income, reversals and transfers. These entries are all made by one individual and are not reviewed by any other Township personnel. We noted several errors in these entries during our testing which may have been corrected if there was a manual entry review process in place. In addition, the review process would strengthen internal controls. We recommend that a policy be adopted, implementing a process in which a separate individual (or possibly the finance committee) review manual journal entries posted in the general ledger monthly, including the supporting documentation for those entries.

UTILITY SYSTEM SEGREGATION OF DUTIES AND RECONCILIATIONS

There is a lack of segregation of duties in the utility billing system. One individual creates billings and is able to adjust customer accounts without approval. In addition, during the year, this person was able to mistakenly order a meter read one month early, bill one month early, and receive payments from customers one month early. The problem was not corrected until the individual realized the error and corrected it themselves. We recommend that the adjustments report be reviewed by a separate individual for propriety monthly and that the Township retain proof of this monthly review process in Township files.



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In addition, the utility billing system should be reconciled to the general ledger on a monthly basis. If there are significant differences, they should be researched and identified. During our testing, we noted that usually the difference is insignificant and is simply written off. However, one month, the difference was approximately \$60,000 and was still written off. This amount should have been researched. The problem was that a previous month's entire billing had not been recorded. This led to revenue being understated at the end of the year by this approximate amount in the general ledger. We strongly recommend that these reconciliations be prepared monthly and reviewed by a separate individual, and that the Township retain documentation of this review procedure in Township files.

INCONSISTENCY BETWEEN BOARD MINUTES AND TAX RATE REQUEST FORM

We noted an inconsistency between the board approved millage rate for roads and the tax rate request form. Per our review of the board minutes, the Township Board approved a road millage of 1.2599. However, the Tax Rate Request Form (L-4029) and the Tax Warrant submitted to the County both showed the millage rate as being 1.2500. Due to the fact that no amendment was noted in subsequent board minutes, and the actual assessed millage was 1.2500, we deemed the error to be a typographical mistake in the board minutes. However, we urge the Township Board to carefully review board minutes before accepting them, as errors such as this could lead to significant issues in the future. For instance, if the rate approved by the Board had been less than the rate assessed, a resident may have precedent to take legal action, etc.

LATE GRANT REIMBURSEMENT REQUESTS

It came to our attention during the audit that there were old outstanding grant expenditures at year-end that have not been requested for reimbursement. It is estimated that these amount to approximately \$180,000 at March 31, 2005. We recommend that grant reimbursement requests be completed monthly during the large grant projects the Township is currently participating in. The request should include all related expenditures from that month, not just the larger invoices. This will ensure that the Township is receiving reimbursements in a timely manner.

WAGE RATE APPROVAL INFORMATION

During our testing of the payroll system, the Township was unable to locate documentation of wage rate approvals for the part-time police officer being reviewed. Although it is standard Township policy that all part-time police officers are paid the same wage rate and increases are approved by the Board, there is no documentation of the old rate or new rate. It is our understanding that it is Township policy to keep this type of documentation in all employee personnel files, and that these types of employees were overlooked. We encourage the Township to add this documentation to the personnel files to avoid any conflicts over wages in the future. In addition, the employees' hire dates and beginning wage rates should be documented as well.

TAX CHECKING ACCOUNT

During our testing of property taxes, we noted that the property tax collections are deposited into a money market account. When distributions need to be made, the money is transferred into the pooled checking account and a check is written from that account. While the Township maintains detailed records of the pooled cash account, segregating the cash among funds, this situation still allows for the property tax funds to be intermingled with general Township funds in the same bank account for a brief period of time. As discussed with Township personnel during the audit, we would recommend transferring the tax funds into a separate checking account, rather than the money market account. This would allow for the funds to be deposited into the tax checking account and distributed from that account when necessary, avoiding intermingling of funds.

Plante & Moran, PLLC

July 22, 2005